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Department of State

EXCISE TELEGRAM

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DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY cj DATE 8/7/81
PORTIONS DENIED AS INDICATED

Tripoli 445 3/10/70

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ACTION AF-18

INFO OCT-01 EUR-20 NEA-13 SS-20 NSC-10 CIAE-00 INR-07

NSAE-00 RSC-01 E-15 INT-06 L-04 PRS-01 COM-08 PM-05

DODE-00 TRSY-11 RSR-01 /141 W

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R 101312Z MAR 70
FM AMEMBASSY TRIPOLI
TO SECSTATE WASHDC 5975
INFO AMEMBASSY ALGIERS
AMEMBASSY BEIRUT
AMEMBASSY BENGHAZI
AMCONSUL DHAHRAN
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LONDON
AMEMBASSY TEHRAN

C O N F I D E N T I A L TRIPOLI 445

SUBJECT : POSTED PRICE NEGOTIATIONS

REFERENCE: TRIPOLI 375

1. ROUND ONE OF NEGOTIATIONS CLOSED MARCH WITH COMPANIES SUBMITTING WRITTEN REPLIES TO MINISTRY PETROLEUM AND MINERALS ORIGINAL PROPOSAL FOR 44 CENT PRICE INCREASE AT GENERAL MEETING. COMPANIES INFORM US THEIR REPLIES ARGUE NO REPEAT NO INCREASE ECONOMICALLY JUSTIFIABLE. CHAIRMAN MINISTRY'S PRICE COMMITTEE ANNOUNCED BILATERAL TALKS WOULD CONTINUE AFTER REPLIES REVIEWED BUT NO DATE SET. MEANWHILE, ROUND TWO, ALREADY OPENED WITH ESSO (REFTEL), CONTINUED AS ESSO AND OCCIDENTAL WERE AFFORDED OPPORTUNITY TO PRESENT DETAILED ARGUMENTS AGAINST PRICE INCREASE. IN ESSO'S CASE PRESENTATION MADE DIRECTLY TO MINISTER MABRUUK, WHILE OXY MET WITH PRICE COMMITTEE. TALKS WITH BOTH COMPANIES ARE CONTINUING.

2. WITH ESSO, WHICH APPEARS TO HAVE ACQUIRED ROLE OF LEAD-

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ING INDUSTRY SPOKESMAN, MINISTER LOOKED PAST COMPANY'S CASE TO ARGUE WILLINGNESS TO DISCUSS PRICE INCREASE MUST BE FORTHCOMING IF NEGOTIATIONS ARE TO PROCEED AND COLLISION BETWEEN COMPANIES AND GOVERNMENT IS TO BE AVOIDED. [redacted] B4 MINISTER CITED ACTIONS TO BE CONSIDERED IF COMPANIES MAINTAINED RIGID POSITION AS: RESTRICTIONS ON PRODUCTION, UNILATERAL PRICE INCREASE, AND SEQUESTRATION (WITH LIBYA CALLING FOR FOREIGN ASSISTANCE TO OPERATE OIL INDUSTRY). PLAYING SAME THEME PRIOR TO MEETING WITH MINISTER, L/S QABLAAWI NOTED TO ESSO THAT RCC PRESIDENT QADHAAFI HAD TOLD MABRUUK HE WOULD DEAL WITH COMPANIES PERSONALLY IF MINISTRY PROVED UNABLE TO OBTAIN RESULTS THROUGH ITS PRICE COMMITTEE.

3. IN CONVERSATION WITH EMBOFF MARCH 7, QABLAAWI REVIEWED NEGOTIATIONS, AND PRESSURES LARG COULD EXERT ON COMPANIES IF NEGOTIATIONS STALL, GENERALLY AS OUTLINED ABOVE, AND DETALIED BASIS ON WHICH MINISTRY CONCLUDES PRICE INCREASE IS JUSTIFIED TO ACHIEVE PARITY AND OTHER MEDITERRANEAN EXPORTERS. HE EXPRESSED CONCERN THAT MINISTRY COULD LOSE CONTROL OVER NEGOTIATIONS TO IMPATIENT RCC, WHICH ALSO IS LISTENING TO THOSE WHO OPPOSE US INTERESTS IN ARAB WORLD AND SEEK TO TURN PRICE NEGOTIATIONS INTO POLITICAL ISSUE. HE NOTED PETMIN'S DEPARTURE MARCH 6 FOR TWO DAY VISIT TO MOSCOW (TRIPOLI 433) WAS EVIDENCE LIBYA KEEPING OPEN EVERY OPTION WHICH MAY SERVE ITS INTERESTS, ALTHOUGH MINISTRY RECOGNIZED US LEADERSHIP IN PETROLEUM INDUSTRY AND HOPED TO CONTINUE TO BENEFIT THEREFROM WITHIN PRESENT LIBYAN STRUCTURE. QABLAAWI CONCLUDED BY STATING HE HAD AUTHORED OFFICIAL STATEMENT ON NEGOTIATIONS, WHICH APPEARED IN LIBYAN MEDIA LAST WEEK, EXPLAINING THAT COMPLEXITY OF NEGOTIATIONS PRECLUDED IMMEDIATE SETTLEMENT. /STATEMENT WAS INTENDED [redacted] B1 [redacted] TO CONVINCE COMPANIES "POSTED PRICE INCREASE WAS NATIONAL GOAL OF REVOLUTIONARY GOVERNMENT".

4. COMMENT: FROM CONVERSATIONS WITH COMPANY EXECUTIVES AND MINISTRY PETROLEUM OFFICIALS, WE CONCLUDE:

A. MINISTRY HAS BEEN IMPRESSED WITH COMPANY ARGUMENTS. IT HAS VIRTUALLY ABANDONED ITS INSISTENCE ON SULFUR ALLOWANCE, REDUCED ITS ESTIMATE OF TRANSPORTATION DIFFERENTIAL

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AND HAS COME TO MORE REALISTIC ASSESSMENT OF MARKET VALUE OF LIBYAN CRUDE. ALTOGETHER, MINISTRY MAY BE WILLING TO SETTLE FOR PRICE INCREASE OF 10 CENTS OR LESS, BUT REMAINS CONVINCED SOME INCREASE IS JUSTIFIED AND MUST BE OBTAINED BECAUSE OF LARGE'S PUBLIC COMMITMENT.

B. [redacted] B4

C. COMPANIES' STRATEGY OF PARING MINISTRY'S PRICE DEMANDS BY ARGUING AGAINST THEIR JUSTIFICATION HAS BEEN SUCCESSFUL THUS FAR. [redacted] B1

GP-4.

PALMER

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